

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 AMMAN 004755

SIPDIS

USTR FOR NOVELLI/SAUMS
USDOC FOR 4520/ITA/MAC/ONE/PTHANOS

E.O. 12958: N/A

TAGS: [ETRD](#) [IS](#) [JO](#)

SUBJECT: JORDAN QIZ INVESTORS BRING CONCERNS TO ISRAELI
OFFICIALS

REF: AMMAN 3296

Sensitive but Unclassified.

This is a joint message with Embassy Tel Aviv.

1. (u) Summary. Thanks to a meeting organized by the Israel-Jordan Chamber of Commerce, an impressive number of QIZ investors were able to raise directly with senior Israeli officials their concerns about slow and expensive shipping of QIZ products through Israel and difficulty meeting the current 8% Israeli content requirement for goods qualifying for duty and quota free access to the U.S. market. Israeli officials, perhaps impressed by the enthusiasm of the QIZ investors, were partially responsive to their concerns -- although they also surfaced the potentially difficult issue of the scheduled 2003 increase in the Israeli content requirement to 11.7%. This was a productive start to a hopefully ongoing dialogue that would be even more useful with the participation of Jordanian government officials. End Summary.

ABOUT 100 QIZ INVESTORS GATHER AT NORTHERN BRIDGE

2. (u) Approximately 80-100 representatives of companies and park managers from Jordan's five leading Qualifying Industrial Zones (QIZ's) attended an August 2 meeting with an approximately equal number of Israeli suppliers and government officials. Organized by the Israel-Jordan Chamber of Commerce with the help of the Israeli foreign ministry, the meeting was held in a tent erected on the premises of the Israeli facility at the Shaikh Hussein northern border crossing. This arrangement accommodated both Israeli security concerns and the desire of many of the QIZ participants, especially those from south Asian countries, not to have to obtain Israeli visas and entry stamps in their passports that could have created difficulties when they returned to their home countries.

3. (u) In addition to the private sector participants, Israeli government representatives included deputy director general of the ministry of foreign affairs Yossi Gal and MFA Director for Middle East Economic Affairs Ilan Baruch, deputy director general of the ministry of trade Gabi Bar and several members of his staff, a representative of Israeli customs, and a Haifa port official. After some internal discussion, the Jordanian government declined to send representatives. Members of embassy Tel Aviv and Amman economic sections and USAID Jordan also observed the proceedings. They mayor of Bet Shean was unable to attend but sent a message expressing her region's interest in expanded commercial interaction with northern Jordan.

4. (sbu) In contrast to the private sector representatives, Jordanian government officials did not attend. Trade Ministry Secretary General Samer Tawil told Embassy Amman that it would be too politically risky for Jordanian government officials to be seen meeting Israeli counterparts in the immediate aftermath of the killing of Hamas' Salah Shehadeh. Nevertheless, Tawil said the Jordanian government supported QIZ private sector participation.

Freight and Trucking Issues

5. (u) The Israeli organizers kept the discussions focused on the practical issues of doing business between Israel and Jordan. Israeli freight forwarder Gadi Sassower led a discussion of logistical and trucking issues. Along with several other participants he noted the large increase in QIZ-related shipments across the bridge. He said that the number of containers shipped to Haifa from Jordan was currently 400-600 per month, up from just a handful three or four years ago. QIZ company reps raised slow processing procedures and what they said were limited opening hours at the bridge, as well as the high cost of back-to-back shipping and conveying from the bridge to Haifa. The Israeli customs officials said that they were taking action to speed shipments, although they said that slow out-

processing on the Jordanian side was another constraint. In one innovation, they announced that beginning September 1, the requirement to convoy trucks from the bridge to Haifa would be eliminated in cases where containers are transferred to Israeli trucks. The QIZ companies welcomed this, but also asked the Israelis to look other ways to ease shipping and reduce the need to post expensive customs guarantees.

Speeding Up Product Approvals

16. (u) Gabi Bar of the Israeli trade ministry acknowledged complaints from QIZ companies that his ministry's processing of applications for qualifying products (so-called QPR's) was slow, particularly given the upsurge in QIZ business. To help speed things up, Bar said the staff of the ministry's QIZ unit had been increased by one person and the frequency of inter-departmental meetings to review QPR applications had been increased. Further improvements were unlikely given the ministry's budgetary constraints. In response to a request, a representative of the USAID-supported Jordan-US Business Partnership (JUSBP) described a new on-line QPR application process that should be up and running in Jordan soon. Linking the Israeli side into this web-based system could help speed procedures without requiring new staff.

Israelis Defensive About Content Requirements

17. (u) Several QIZ participants said that the current 8% Israeli content requirement was holding back the potential of the QIZ initiative. They claimed that it was often difficult, especially for high unit-price products, to reach the 8% level and that Israeli suppliers often provided low quality inputs at inflated prices. These investors called for either a reduction in the current 8% Israeli content requirement or a new formula that would allow calculation of Israeli content on a range of products instead of the current product-by-product calculation. They argued that Israeli suppliers would share in the benefits from QIZ growth if the requirement were reduced.

18. (u) Bar replied that Israeli input was the key philosophical and political basis of the QIZ initiative. Indeed, he said, QIZ companies should be willing to pay even more for duty and quota free access to the U.S. market. He said he resented efforts by some QIZ companies to keep Israeli input to "eight point zero" despite the availability of competitive Israeli suppliers. Nevertheless, Bar added that he was "brainstorming" with his Jordanian counterparts on creative ways to calculate Israeli input.

19. (u) Bar also noted that the five-year Israeli-Jordanian agreement to lower the content requirement to 8% would end next year and revert to its "normal" 11.7% level. This comment provoked an outburst of concern from QIZ investors, who said that they could not operate economically at this level. They said they would have no choice but to move to other locations that offer preferential access to the QIZ market, particularly noting the growth in Kenya's and Madagascar's garment exports to the U.S. under the AGOA program. This promises to be a high profile issue for the QIZ program over the coming months.

Assessment: A Promising Start to a Useful Dialogue

10. (u) The number of participants was a surprise even for the organizers and showed the great enthusiasm for the QIZ program on both sides of the Jordan River. As the first such meeting, the discussion was general and there was more than a bit of speechmaking on both sides. Outgoing Israel-Jordan Chamber of Commerce Director Miki Jungreis said that the Chamber would look into organizing future meetings and forming smaller working groups to study issues in greater detail. The MFA's Yossi Gal told Embassy Tel Aviv econoff that as one of the negotiators of the QIZ arrangement, the meeting was a dream come true for him. The discussions suffered from the absence of Jordanian government officials (the meeting generated a handful of critical articles in the Jordanian press). Overall, however, the event succeeded in allowing Israeli officials to hear directly from the QIZ investor community about their practical concerns. It also gave a more concrete sense of the success of the initiative and its continuing potential for increasing business contacts between Jordan and Israel.
Gnehm